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SUBJECT: DAHLAN PROMISES IMPROVEMENTS, COUNSELS GAZA
BUSINESSMEN TO "HAVE PATIENCE"

Classified By: Pol/C Norm Olsen for reasons 1.4(b) and (d).

This cable has been coordinated with ConGen Jerusalem.

1. (C) Summary: Pepsi bottler and leading Gaza businessman, Muhammad Yazgi, told Poloff March 3 that Muhammad Dahlan had promised Gaza businessmen recently that conditions at Gaza's border crossings into Israel would improve in two to three weeks, and asked that Yazgi and other businessmen "have patience" until then. Dahlan reportedly also offered to replace PA officials if necessary in order to improve the climate within the PA for businessmen. Other Gazans, however, are more skeptical of Dahlan, and stress that ending corruption is more important to the Gazan economy than GOI improvements in the crossings regime. Although he acknowledged an increase in the number of laborers and businessmen allowed to enter Israel in recent weeks, Yazgi called the procedures in place for all but senior PA and PLC members crossing at Erez "unacceptable." End Summary.

Businessmen Register Complaints

2. (C) Leading Gaza businessman Muhammad Yazgi told Poloff March 3 that he and a group of fellow businessmen had met with Minister of Civil Affairs Muhammad Dahlan several days earlier to express their unhappiness at continued delays in bringing in material at Karni and restrictions on the movement of people that remain in place at the Erez Crossing. The situation, Yazgi said, has returned to what he called the status quo, with transport through Karni functioning at what he claimed was approximately 2 to 3 percent of capacity, and containers stalled on average 20 to 30 days before they can enter the Gaza Strip (Note: Israeli private sector contacts confirmed the 20 to 30 day wait for goods to enter. End Note). All this equals what Yazgi terms an exorbitant additional cost for transporting goods into the Gaza Strip of some NIS 15,000 per container.

Dahlan Counsels Patience

3. (C) Dahlan, according to Yazgi, counseled the group to "wait a few weeks" for conditions in Gaza to improve. Although he did not provide specific details of his discussions with the GOI, Dahlan assured the group that they would be satisfied with the results of his efforts. Dahlan added, according to Yazgi, that he would not have accepted his new position in the PA without assurances from the Israelis that he would be able to make significant progress on issues connected with the three border crossings at Erez, Karni and Rafah, as a condition for his participation. (ConGen comment: In a recent meeting, the Consul General asked PM Abu Ala'a whether Dahlan would be placed in charge of border crossings, noting that there was grumbling in certain Palestinian circles that he could misuse his authority for personal gain. Abu Ala'a responded that Dahlan would not/not be put in charge of any border crossings. End Comment.)

4. (C) Yazgi acknowledged the increase in recent weeks of the number of permits to enter Israel that are being issued to businessmen and workers alike. (Note: As of March 6, an average of approximately 1,000 laborers and over 100 businessmen are entering Israel daily. While the numbers are only a fraction of pre-Intifada levels, they are up from near zero. End Note) Yazgi maintained, however, that, permits notwithstanding, the treatment Palestinians undergo in the name of security at Erez is "unacceptable." Other than certain members of the PA and PLC, all others wishing to cross into Israel at Erez are required to "strip," or bare their bodies from waist to knees, in order to prove they are not carrying explosives. Treatment of leading members of the community, who are well and favorably known to the IDF from literally years of contacts, in the same manner as for laborers is humiliating, he said. Yazgi said Dahlan assured the group that a separate lane would again be established for businessmen at Erez, but did not provide a timetable for doing so, assuring the group again that action on access

would be forthcoming "in two to three weeks."

Willing to Fix Problems in the PA

15. (C) Turning the discussion inward, Dahlan reportedly asked the group to raise with him any problems they might be having with Palestinian officials that he could address, offering to "change people," if that should be necessary. While some of those present cited corruption as a major concern, Yazgi said that he and several others had urged Dahlan to focus on obtaining further, unspecified concessions from Israel as being key to their future. "The rest of the problems," Yazgi continued, "we can handle ourselves." Yazgi expressed his confidence that Dahlan will be successful in his efforts vis-a-vis Israel, adding that Dahlan also claimed to be working "24 hours a day" to prevent security incidents that might derail his efforts with Israel -- an approach that Yazgi applauded. (Note: Per a decision reached during a February 26 Council of Ministers meeting, Dahlan, as Minister of Civil Affairs, is empowered to follow issues concerning Israel's disengagement from the Gaza Strip and settlements in the northern West Bank, not security or PA personnel matters. End note.)

Optimism Tempered by Skepticism

16. (C) Prominent Gazan engineer and recently-resigned Palestinian Investment Fund (PIF) board member Jawdat al-Khoudry said he does not share Yazgi's confidence in Dahlan, claiming that Dahlan lacks "the support of the Gazan people," and has chosen "notoriously corrupt" individuals for his team, including PIF board member Mohammed Rashid. In Khoudry's view, an end to PA, PLC, and PIF corruption is even more important to the Gazan economy than GOI improvements in the crossings regime. Other embassy contacts called Dahlan's meetings with businessmen "propaganda," opining that they expected little more than talk in the short term on border regimes. Further fueling such skepticism, Israeli media reported March 7 that Industry and Trade Minister Ehud Olmert has blocked the issuance of over 4,000 of the 17,600 Palestinian work permits that Defense Minister Shaul Mofaz promised the PA following the February Sharm el-Sheikh summit.

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